

PERAC AUDIT REPORT



Hampshire County
Contributory Retirement System



JAN. 1, 2011 - DEC. 31, 2013



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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chairman*

JOSEPH E. CONNARTON, *Executive Director*

Auditor SUZANNE M. BUMP | KATE FITZPATRICK | ELIZABETH FONTAINE | JOHN B. LANGAN | JAMES M. MACHADO | ROBERT B. MCCARTHY

January 6, 2016

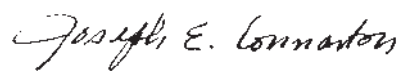
The Public Employee Retirement Administration Commission has completed an examination of the Hampshire County Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2011 to December 31, 2013. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission.

We commend the Hampshire County Retirement Board for the exemplary operation of the system.

In closing, I acknowledge the work of examiners Scott Henderson and Harold Chadwick who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



STATEMENT OF LEDGER ASSETS AND LIABILITIES

AS OF DECEMBER 31,			
	2013	2012	2011
Net Assets Available For Benefits:			
Cash	\$4,932,274	\$2,525,290	\$2,085,985
Pooled Domestic Equity Funds	35,812,870	30,961,625	33,420,168
Pooled International Equity Funds	44,033,630	40,640,385	28,610,312
Pooled Global Equity Funds	44,280,806	40,774,861	34,849,974
Pooled Domestic Fixed Income Funds	28,339,006	27,071,755	35,444,102
Pooled Global Fixed Income Funds	20,289,828	20,523,094	12,063,704
Pooled Alternative Investment Funds	24,471,332	19,162,197	14,687,006
Pooled Real Estate Funds	18,951,331	15,994,751	12,157,018
Hedge Funds	22,907,281	20,354,621	18,784,619
Accounts Receivable	2,674,386	2,417,712	1,717,185
Accounts Payable	(39,317)	(1,033)	(16)
Total	<u>\$246,653,426</u>	<u>\$220,425,258</u>	<u>\$193,820,056</u>
Fund Balances:			
Annuity Savings Fund	\$72,645,871	\$69,811,547	\$66,150,882
Annuity Reserve Fund	20,450,073	19,573,572	19,757,698
Pension Fund	0	0	0
Military Service Fund	64,154	55,829	55,434
Expense Fund	0	0	0
Pension Reserve Fund	<u>153,493,328</u>	<u>130,984,310</u>	<u>107,856,043</u>
Total	<u>\$246,653,426</u>	<u>\$220,425,258</u>	<u>\$193,820,056</u>

STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2011)	\$63,272,157	\$18,937,572	\$0	\$55,323	\$0	\$108,958,964	\$191,224,016
Receipts	7,436,567	573,249	16,489,604	111	1,928,026	(496,393)	25,931,163
Interfund Transfers	(3,187,310)	3,160,623	633,216	0	0	(606,529)	0
Disbursements	(1,370,532)	(2,913,746)	(17,122,819)	0	(1,928,026)	0	(23,335,124)
Ending Balance (2011)	66,150,882	19,757,698	0	55,434	0	107,856,043	193,820,056
Receipts	7,805,766	587,469	15,392,084	396	2,035,383	25,875,741	51,696,838
Interfund Transfers	(2,313,600)	2,297,098	2,763,976	0	0	(2,747,474)	0
Disbursements	(1,831,500)	(3,068,693)	(18,156,059)	0	(2,035,383)	0	(25,091,636)
Ending Balance (2012)	69,811,547	19,573,572	0	55,829	0	130,984,310	220,425,258
Receipts	7,828,627	587,506	16,306,253	16,106	2,885,403	25,210,328	52,834,223
Interfund Transfers	(3,649,060)	3,593,439	2,764,713	(7,782)	0	(2,701,310)	0
Disbursements	(1,345,243)	(3,304,443)	(19,070,966)	0	(2,885,403)	0	(26,606,055)
Ending Balance (2013)	\$72,645,871	\$20,450,073	\$0	\$64,154	\$0	\$153,493,328	\$246,653,426

STATEMENT OF RECEIPTS

FOR THE PERIOD ENDING DECEMBER 31,			
	2013	2012	2011
Annuity Savings Fund:			
Members Deductions	\$6,837,729	\$6,573,591	\$6,303,934
Transfers from Other Systems	677,820	900,395	709,156
Member Make Up Payments and Re-deposits	78,198	102,003	57,748
Member Payments from Rollovers	108,538	111,680	199,176
Investment Income Credited to Member Accounts	<u>126,342</u>	<u>118,096</u>	<u>166,552</u>
Sub Total	<u>7,828,627</u>	<u>7,805,766</u>	<u>7,436,567</u>
Annuity Reserve Fund:			
Investment Income Credited to the Annuity Reserve Fund	<u>587,506</u>	<u>587,469</u>	<u>573,249</u>
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems	639,905	649,687	607,171
Received from Commonwealth for COLA and Survivor Benefits	245,263	433,928	149,795
Pension Fund Appropriation	15,414,334	14,303,218	15,728,138
Settlement of Workers' Compensation Claims	6,750	5,250	4,500
Recovery of 91A Overearnings	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>16,306,253</u>	<u>15,392,084</u>	<u>16,489,604</u>
Military Service Fund:			
Contribution Received from Municipality on Account of Military Service	16,047	338	0
Investment Income Credited to the Military Service Fund	<u>59</u>	<u>58</u>	<u>111</u>
Sub Total	<u>16,106</u>	<u>396</u>	<u>111</u>
Expense Fund:			
Investment Income Credited to the Expense Fund	<u>2,885,403</u>	<u>2,035,383</u>	<u>1,928,026</u>
Sub Total	<u>2,885,403</u>	<u>2,035,383</u>	<u>1,928,026</u>
Pension Reserve Fund:			
Pension Reserve Appropriation	584,576	586,821	788,485
Interest Not Refunded	16,403	20,907	14,298
Miscellaneous Income	856	0	0
Excess Investment Income (Loss)	<u>24,608,494</u>	<u>25,268,013</u>	<u>(1,299,175)</u>
Sub Total	<u>25,210,328</u>	<u>25,875,741</u>	<u>(496,393)</u>
Total Receipts, Net	<u>\$52,834,223</u>	<u>\$51,696,838</u>	<u>\$25,931,163</u>

STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,			
	2013	2012	2011
Annuity Savings Fund:			
Refunds to Members	\$766,447	\$964,013	\$768,637
Transfers to Other Systems	<u>578,796</u>	<u>867,487</u>	<u>601,895</u>
Sub Total	<u>1,345,243</u>	<u>1,831,500</u>	<u>1,370,532</u>
Annuity Reserve Fund:			
Annuities Paid	3,243,665	3,056,961	2,858,466
Option B Refunds	<u>60,778</u>	<u>11,733</u>	<u>55,280</u>
Sub Total	<u>3,304,443</u>	<u>3,068,693</u>	<u>2,913,746</u>
Pension Fund:			
Pensions Paid:			
Regular Pension Payments	14,223,234	13,647,270	12,982,600
Survivorship Payments	717,622	703,572	631,821
Ordinary Disability Payments	82,695	92,058	83,231
Accidental Disability Payments	2,110,514	2,048,803	1,860,710
Accidental Death Payments	208,005	236,000	232,086
Section 101 Benefits	121,800	100,971	91,350
3 (8) (c) Reimbursements to Other Systems	<u>1,607,096</u>	<u>1,327,385</u>	<u>1,241,021</u>
Sub Total	<u>19,070,966</u>	<u>18,156,059</u>	<u>17,122,819</u>
Expense Fund:			
Board Member Stipend	58,023	51,148	45,355
Salaries	425,927	388,051	362,320
Legal Expenses	13,845	12,255	7,493
Medical Expenses	103	50	429
Travel Expenses	30,514	24,432	20,931
Administrative Expenses	78,867	68,716	65,634
Actuarial Services	0	14,750	0
Education and Training	14,474	7,949	9,725
Furniture and Equipment	43,695	1,724	3,677
Management Fees	2,044,192	1,269,677	1,249,084
Custodial Fees	0	0	9,154
Consultant Fees	90,000	90,000	90,000
Rent Expenses	35,840	35,840	35,840
Service Contracts	27,360	48,256	6,576
Fiduciary Insurance	<u>22,563</u>	<u>22,534</u>	<u>21,809</u>
Sub Total	<u>2,885,403</u>	<u>2,035,383</u>	<u>1,928,026</u>
Total Disbursements	<u>\$26,606,055</u>	<u>\$25,091,636</u>	<u>\$23,335,124</u>

INVESTMENT INCOME

FOR THE PERIOD ENDING DECEMBER 31,			
	2013	2012	2011
Investment Income Received From:			
Cash	\$29,234	\$85,981	\$12,861
Pooled or Mutual Funds	<u>5,003,351</u>	<u>4,680,564</u>	<u>3,581,224</u>
Total Investment Income	<u>5,032,584</u>	<u>4,766,545</u>	<u>3,594,086</u>
Plus:			
Realized Gains	5,160,981	3,032,522	2,825,431
Unrealized Gains	<u>36,953,264</u>	<u>36,713,560</u>	<u>28,132,381</u>
Sub Total	<u>42,114,245</u>	<u>39,746,081</u>	<u>30,957,811</u>
Less:			
Realized Loss	(947,484)	(1,627,472)	(2,196,146)
Unrealized Loss	(17,991,541)	(14,876,136)	(30,986,984)
Interest Due and Accrued - Prior Year	<u>0</u>	<u>0</u>	<u>(5)</u>
Sub Total	<u>(18,939,025)</u>	<u>(16,503,608)</u>	<u>(33,183,135)</u>
Net Investment Income	<u>28,207,804</u>	<u>28,009,019</u>	<u>1,368,762</u>
Income Required:			
Annuity Savings Fund	126,342	118,096	166,552
Annuity Reserve Fund	587,506	587,469	573,249
Military Service Fund	59	58	111
Expense Fund	<u>2,885,403</u>	<u>2,035,383</u>	<u>1,928,026</u>
Total Income Required	<u>3,599,310</u>	<u>2,741,006</u>	<u>2,667,937</u>
Net Investment Income	<u>28,207,804</u>	<u>28,009,019</u>	<u>1,368,762</u>
Less: Total Income Required	<u>3,599,310</u>	<u>2,741,006</u>	<u>2,667,937</u>
Excess Income (Loss) To The Pension Reserve Fund	<u>\$24,608,494</u>	<u>\$25,268,013</u>	<u>(\$1,299,175)</u>

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2013		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$4,932,274	2.0%
Pooled Domestic Equity Funds	35,812,870	14.7%
Pooled International Equity Funds	44,033,630	18.0%
Pooled Global Equity Funds	44,280,806	18.1%
Pooled Domestic Fixed Income Funds	28,339,006	11.6%
Pooled Global Fixed Income Funds	20,289,828	8.3%
Pooled Alternative Investment Funds	24,471,332	10.0%
Pooled Real Estate Funds	18,951,331	7.8%
Hedge Funds	<u>22,907,281</u>	<u>9.4%</u>
Grand Total	<u>\$244,018,357</u>	<u>100.0%</u>

For the year ending December 31, 2013, the rate of return for the investments of the Hampshire County Retirement System was 11.93%. For the five-year period ending December 31, 2013, the rate of return for the investments of the Hampshire County Retirement System averaged 11.99%. For the 29-year period ending December 31, 2013, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Hampshire County Retirement System was 8.56%.

The composite rate of return for all retirement systems for the year ending December 31, 2013 was 15.57%. For the five-year period ending December 31, 2013, the composite rate of return for the investments of all retirement systems averaged 12.13%. For the 29-year period ending December 31, 2013, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.49%.

SUPPLEMENTARY INVESTMENT REGULATIONS

The Hampshire County Retirement System submitted the following supplementary investment regulations, which were approved by the Public Employee Retirement Administration Commission on:

January 5, 2012

The HCRB may forego the normal procurement process for an investment related service (840 CMR 16.08) and transfer assets from the Mellon Capital Management EB Daily Valued Global Alpha I Fund into the Mellon Capital Management EB Daily Valued Expanded Alpha I Fund.

March 23, 2011

16.08

In accordance with Investment Guideline 99-3, the Hampshire County Retirement Board is authorized to invest in Ascent Venture Partners V. The Board has been a satisfied investor in Ascent's two predecessor partnerships. The management team and strategy remain the same. The Board has submitted updated regulatory documents as well as financial data pertaining to its existing investments.

September 16, 2010

16.04

The Hampshire County Retirement Board is granted an exemption from 840 CMR 16.04 which requires the board to designate a custodian bank to hold all its investment assets. This exemption reflects the following facts: 1) the Board now invests totally in commingled investment funds and 2) the Board has an experienced staff that has already been performing cash management functions in-house and is in the process of implementing an in-house accounting and tracking system.

This supplemental regulation supersedes the one previously approved on March 26, 2004 and which is hereby revoked.

This supplemental regulation is subject to revision or cancellation if and when the Board reverts to one or more separate account investment mandates.

While retirement boards are expected to use fiduciary judgment in the management of cash reserves, PERAC does not generally request information on the selection of specific vendors of cash management services.

August 15, 2008

Notwithstanding the provision of the Code of Massachusetts Regulation 840 CMR 21.01(2), (3)(a) & (b), (4)(a) & (b), and (5), the Hampshire County Retirement System through its duly constituted Retirement Board may invest funds of the Retirement System in the fund known as Shenkman Capital Management, Inc., General Partner of Credos Floating Rate Fund, L.P.

Shenkman Capital Management, Inc., General Partner of Credos Floating Rate Fund, L.P., shall not be subject to the existing provisions of 840 CMR 21.01(2), (3)(a) & (b), (4)(a) & (b), and (5), but shall be subject to the prohibited investment provisions under ERISA guidelines.

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

The prohibited investment provisions that apply to the Shenkman Capital Management, Inc., General Partner of Credos Floating Rate Fund, L.P., portfolio shall be defined relying upon ERISA statutory exemptions and the administrative class exemptions and regulations, specifically QPAM Exemption 84-14, as amended (“PTCE 84-14”), Prohibited Transaction Class Exemption 91-38 (“PTCE 91-38”) issued by the Department of Labor and other ERISA applicable regulations.

Notwithstanding the provision of the Code of Massachusetts Regulation 840 CMR 21.01(2), (3)(a) & (b), (4)(a) & (b), and (5), the Hampshire County Retirement System through its duty constituted Retirement Board may invest funds of the Retirement System in the fund known as Primus High Yield Bond Fund, L.P. Shenkman Capital Management, Inc., General Partner.

Primus High Yield Bond Fund, L.P. Shenkman Capital Management, Inc., General Partner, shall not be subject to the existing provisions of 840 CMR 21.01(2), (3)(a) & (b), (4)(a) & (b), and (5), but shall be subject to the prohibited investment provisions under ERISA guidelines.

The prohibited investment provisions that apply to the Primus High Yield Bond Fund, L.P. Shenkman Capital Management, Inc., General Partner, portfolio shall be defined relying upon ERISA statutory exemptions and the administrative class exemptions and regulations, specifically QPAM Exemption 84-14, as amended (“PTCE 84-14”), Prohibited Transaction Class Exemption 91-38 (“PTCE 91-38”) issued by the Department of Labor and other ERISA applicable regulations.

August 16, 2007

21.01

Notwithstanding the provisions of any statute or regulations of the Public Employee Retirement Administration Commission to the contrary, including the provisions of 840 CMR 21.01(2)(3)(4) and (5), the Hampshire County Retirement Board is hereby granted an exemption from restrictions on investment and may invest a portion of the funds of the Hampshire County Retirement System (the “System”) in the fund known as the GMO Global Balanced Asset Allocation Fund of Grantham, Mayo, Van Otterloo & Company LLC.

July 20, 2007

21.01

Notwithstanding the provisions of any statute or regulations of the Public Employee Retirement Administration Commission to the contrary, including the provisions of 840 CMR 21.01(2)(3)(4) and (5), the Hampshire County Retirement Board is hereby granted an exemption from restrictions on investment and may invest a portion of the funds of the Hampshire County Retirement System (the “System”) in the fund known as the EB Daily Valued Global Alpha I Fund of Mellon Capital Management Corporation.

Notwithstanding the provisions of any statute or regulations of the Public Employee Retirement Administration Commission to the contrary, including the provisions of 840 CMR 21.01(2)(3)(4) and (5), the Hampshire County Retirement Board is hereby granted an exemption from restrictions on investment and may invest a portion of the funds of the Hampshire County Retirement System (the “System”) in the fund known as the PIMCO All Asset Fund.

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

January 12, 2004

16.08

In accordance with PERAC Investment Guideline 99-3, the Hampshire County Retirement Board is authorized to invest in Ascent Venture Partners IV, L.P. The board has been a satisfied investor in Ascent Venture Partners III and has submitted updated regulatory documents pertaining to its current and future investments with Ascent.

NOTES TO FINANCIAL STATEMENTS

NOTE I – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Hampshire County Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

ADMINISTRATION

There are 105 contributory retirement systems for public employees in Massachusetts. Each system is governed by a retirement board and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements and a uniform accounting and funds structure for all systems.

PARTICIPATION

Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal or intermittent employment is governed by regulations promulgated by the retirement board, and approved by PERAC. Membership is optional for certain elected officials.

There are 4 classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the State Police. The other 3 classes are as follows:

Group 1:

General employees, including clerical, administrative, technical and all other employees not otherwise classified.

Group 2:

Certain specified hazardous duty positions.

Group 4:

Police officers, firefighters, and other specified hazardous positions.

NOTES TO FINANCIAL STATEMENTS (Continued)

MEMBER CONTRIBUTIONS

Member contributions vary depending on the most recent date of membership:

Prior to 1975:	5% of regular compensation
1975 - 1983:	7% of regular compensation
1984 to 6/30/96:	8% of regular compensation
7/1/96 to present:	9% of regular compensation
1979 to present:	an additional 2% of regular compensation in excess of \$30,000.

In addition, members of Group 1 who join the system on or after April 2, 2012 will have their withholding rate reduced to 6% after achieving 30 years of creditable service.

RATE OF INTEREST

Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least 10 financial institutions.

RETIREMENT AGE

The mandatory retirement age for some Group 2 and Group 4 employees is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 4 members who are employed in certain public safety positions are required to retire at age 65. There is no mandatory retirement age for employees in Group 1.

SUPERANNUATION RETIREMENT

A person who became a member before April 2, 2012 is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- completion of 20 years of service, or
- attainment of age 55 if hired prior to 1978, or if classified in Group 4, or
- attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 or 2

A person who became a member on or after April 2, 2012 is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- attainment of age 60 with 10 years of service if classified in Group 1, or
- attainment of age 55 with 10 years of service if classified in Group 2, or
- attainment of age 55 if classified in Group 4.

NOTES TO FINANCIAL STATEMENTS (Continued)

AMOUNT OF BENEFIT

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year (or five year as discussed below) average salary. For veterans as defined in G.L. c. 32, s. 1, there is an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

For employees who become members after January 1, 2011, regular compensation is limited to 64% of the federal limit found in 26 U.S.C. 401(a)(17). In addition, regular compensation will be limited to prohibit "spiking" of a member's salary to increase the retirement benefit.

- For persons who became members prior to April 2, 2012, Average Salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last 3 years (whether or not consecutive) preceding retirement.
- For persons who became members on or after April 2, 2012, Average Salary is the average annual rate of regular compensation received during the 5 consecutive years that produce the highest average, or, if greater, during the last 5 years (whether or not consecutive) preceding retirement.
- The Benefit Rate varies with the member's retirement age. For persons who became members prior to April 2, 2012 the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.
- For persons who became members on or after April 2, 2012 and retire with less than 30 years of creditable service, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 67, Group 2 employees who retire at or after age 62, and to Group 4 employees who retire at or after age 57. A .15% reduction is applied for each year of age under the maximum age for the member's group.
- For persons who became members on or after April 2, 2012 and retire with more than 30 years of creditable service, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 67, Group 2 employees who retire at or after age 62, and to Group 4 employees who retire at or after age 55. A .125% reduction is applied for each year of age under the maximum age for the member's group.

DEFERRED VESTED BENEFIT

A participant who has attained the requisite years of creditable service can elect to defer his or her retirement until a later date. Certain public safety employees cannot defer beyond age 65. All participants must begin to receive a retirement allowance or withdraw their accumulated deductions no later than April 15 of the calendar year following the year they reach age 70½.

NOTES TO FINANCIAL STATEMENTS (Continued)

WITHDRAWAL OF CONTRIBUTIONS

Member contributions may be withdrawn upon termination of employment. The interest rate for employees who first become members on or after January 1, 1984 who voluntarily withdraw their contributions with less than 10 years of service will be 3%. Interest payable on all other withdrawals will be set at regular interest.

DISABILITY RETIREMENT

The Massachusetts Retirement Plan provides 2 types of disability retirement benefits:

ORDINARY DISABILITY

Eligibility: Non-veterans who become totally and permanently disabled by reason of a non-job related condition with at least 10 years of creditable service (or 15 years creditable service in systems in which the local option contained in G.L. c. 32, s.6(1) has not been adopted).

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching "maximum age". "Maximum age" applies only to those employees classified in Group 4 who are subject to mandatory retirement.

Retirement Allowance: For persons who became members prior to April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member's final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she is entitled.

For persons in Group 1 who became members on or after April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 60. If the member is a veteran, the benefit is 50% of the member's final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 60, he or she will receive not less than the superannuation allowance to which he or she would have been entitled had they retired for superannuation.

For persons in Group 2 and Group 4 who became members on or after April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member's final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she would have been entitled had they retired for superannuation.

NOTES TO FINANCIAL STATEMENTS (Continued)

ACCIDENTAL DISABILITY

Eligibility: Applies to members who become permanently and totally unable to perform the essential duties of the position as a result of a personal injury sustained or hazard undergone while in the performance of duties. There are no minimum age or service requirements.

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of \$797.64 per year (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, s. 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member's retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution. For systems that have adopted Chapter 157 of the Acts of 2005, veterans as defined in G.L. c. 32, s. 1 receive an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

ACCIDENTAL DEATH

Eligibility: Applies to members who die as a result of a work-related injury or if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired.

Allowance: An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of \$797.64 per year, per child (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, s. 9(2)(d)(ii) has not been adopted), payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries while in the performance of his duties that results in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death. In addition, an eligible family member may receive a one time payment of \$100,000.00 from the State Retirement Board. This lump sum payment is also available to the family of a public prosecutor in certain, limited circumstances.

NOTES TO FINANCIAL STATEMENTS (Continued)

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

Effective November 7, 1996, Accidental Disability retirees were allowed to select Option C at retirement and provide a benefit for an eligible survivor. For Accidental Disability retirees prior to November 7, 1996, who could not select Option C, if the member's death is from a cause unrelated to the condition for which the member received accidental disability benefits, a surviving spouse will receive an annual allowance of \$6,000. For Systems that accept the provisions of Section 28 of Chapter 131 of the Acts of 2010, the amount of this benefit is \$9,000. For Systems that accept the provisions of Section 63 of Chapter 139 of the Acts of 2012, the amount of this benefit is \$12,000.

DEATH IN ACTIVE SERVICE

Allowance: An immediate allowance equal to that which would have been payable had the member retired and selected Option C on the day before his or her death. For a member who became a member prior to April 2, 2012 whose death occurred prior to the member's superannuation retirement age, the age 55 benefit rate is used. For a member classified in Group 1 who became a member on or after April 2, 2012 whose death occurred prior to the member's superannuation retirement age, the age 60 benefit rate is used. If the member died after age 60, the actual age is used. For a member classified in Group 2 or Group 4, whose death occurred prior to the member's minimum superannuation retirement age, the benefit shall be calculated using an age 55 age factor. The minimum annual allowance payable to the surviving spouse of a member in service who dies with at least two years of creditable service is \$3,000 unless the retirement system has accepted the local option increasing this minimum annual allowance to \$6,000, provided that the member and the spouse were married for at least one year and living together on the member's date of death.

The surviving spouse of such a member in service receives an additional allowance equal to the sum of \$1,440 per year for the first child and \$1,080 per year for each additional child until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

COST OF LIVING

If a system has accepted Chapter 17 of the Acts of 1997, and the Retirement Board votes to pay a cost of living increase (COLA) for that year, the percentage is determined based on the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%. Section 51 of Chapter 127 of the Acts of 1999, if accepted, allows boards to grant COLA increases greater than that determined by CPI but not to exceed 3.0%. Only a certain portion of a retiree's total allowance is subject to a COLA. The total COLA for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

Under the provisions of Chapter 32, Section 103(j) inserted by Section 19 of Chapter 188 of the Acts of 2010, systems may increase the maximum base on which the COLA is calculated in multiples of \$1,000. For many years the COLA base was calculated based upon the first \$12,000 of a retiree's allowance. Now the maximum base upon which the COLA is calculated varies from system to system. Each increase in the base must be accepted by a majority vote of the Retirement Board and approved by the legislative body.

NOTES TO FINANCIAL STATEMENTS (Continued)

METHODS OF PAYMENT

A member may elect to receive his or her retirement allowance in one of 3 forms of payment.

Option A: Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

Option B: A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

Option C: A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who is has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up" to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

ALLOCATION OF PENSION COSTS

If a member's total creditable service was partly earned by employment in more than one retirement system, the cost of the "pension portion" is allocated between the different systems pro rata based on the member's service within each retirement system. If a member received regular compensation concurrently from two or more systems on or after January 1, 2010, and was not vested in both systems as of January 1, 2010, such a pro-ration will not be undertaken. This is because such a person will receive a separate retirement allowance from each system.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Public Employee Retirement Administration Commission.

Cash accounts are considered to be funds on deposit with banks and are available upon demand.

Short Term Investments are highly liquid investments that will mature within twelve months from the date of acquisition.

Investments are reported at their fair value. Securities traded on recognized exchanges are valued at the most recent sales price at year end. If no sale was reported, the mean of the bid and asked price is used when available, or the most recent bid price. Mutual, commingled and pooled funds are valued based on the net asset or unit value at year end. Real estate and alternative investments are valued based on estimates provided by the managers of those respective investments. Purchases and sales of securities are reflected on the date the trade is initiated. Realized gain or loss is largely based on the difference between the cost or the value at the prior year end and the funds realized upon liquidation. Dividend income is generally recorded when received. Interest income is recorded as earned on an accrual basis. Income from alternative investments is recorded as reported by the managing partner. Appreciation or depreciation in the value of investments consists of the unrealized gains and losses reported as the difference between the previous period and the current value.

The system makes estimates and assumptions that affect the reported values of assets and liabilities and the reported amounts added and deducted during the reporting periods. The fair value of real estate and alternative investment holdings are generally estimated in the absence of reliable exchange values. The actual funds realized upon liquidation may differ from these estimates.

The provisions of Massachusetts General Laws Chapter 32, § 23 (2) generally govern the investment practices of the system. The Board retains an investment consultant to closely monitor the implementation and performance of their investment strategy and advise them of the progress toward full funding of the system. That strategy seeks to balance the exposure to common deposit and investment risks related to custody, credit concentrations, interest rate and foreign currency fluctuations.

Operating expenses include the ordinary and necessary cost of investment and professional services and the other miscellaneous administrative expenses of the system.

NOTES TO FINANCIAL STATEMENTS (Continued)

The Annuity Savings Fund is the fund in which members' contributions are deposited. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The Hampshire County Retirement System submitted the following supplementary membership regulations, which were approved by the Public Employee Retirement Administration Commission on:

June 14, 2012

Membership:

Any employee, elected, appointed or classified otherwise, whose annual salary for the position is less than \$5,000 shall not be eligible for membership in the Hampshire County Retirement System.

Exception: employees holding multiple positions with the same employer and who otherwise qualify as members of the Hampshire County Retirement System may be eligible for membership for non-qualifying position when combined salary from multiple positions exceed \$5,000.

Regular Permanent Employees, who are employed on a regular schedule without restriction as to the duration of employment in a position that is expected to last or remain without essential change and who are employed on a regular schedule consisting of at least 20 hours per week regular and whose salary is at least \$5,000 per annum are required to become members of the Hampshire County Retirement System.

Regular Temporary or Seasonal Employees, who are employed on a regular schedule consisting of at least 20 hours per week and whose regular salary is at least \$5,000 per annum, but whose appointment is for less than 6 consecutive calendar months are not eligible to become members unless reappointed such that total service exceeds 6 consecutive calendar months. Temporary employees who subsequently become eligible for membership with a HCRS employer may be eligible to purchase prior non-membership service rendered to a HCRS employer.

Non-Regular, Intermittent, Per Diem, Substitute Employees, who are employed on a per diem, fee-based and/or as needed basis and do not have regular work schedules consisting of at least 20 hours per week are not eligible for membership regardless of amount of compensation or salary.

Per diem, hourly, or “non-benefited” employment does not bar an individual from membership provided employment is in the regular course of business for which the individual works a regular schedule of at least 20 hours per week for a period expected to exceed 6 consecutive months, and for which the individual receives regular compensation based on hours worked and is at least \$5,000 annually.

Consultants, Independent Contractors, Professional Service Providers or similar types of contract employment are not eligible for membership. For the purposes of membership eligibility, the Board

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

retains full jurisdiction in determining whether service is rendered as a regular employee eligible for membership or as a contract employee ineligible for membership.

Student Employees, who are not employed on a regular schedule consisting of at least 20 hours per week for a period exceeding 6 consecutive calendar months and who do not receive regular compensation of at least \$5,000 are not eligible for membership.

Appointed Officials compensated by stipend greater than \$5,000 per annum which is not quantified by hours worked or amount of work performed will be presumed to work hours/wk based on Annual salary/minimum wage.

Elected Officials whose salary is at least \$5,000 per annum have the option to become members of the system provided application for membership is made within 90 days of assuming elected office. Elected Officials who do not apply for membership within 90 days, will not subsequently be eligible for membership until re-elected or otherwise qualifying for membership based on other criteria or qualifying position. The Board shall retain full jurisdiction to determine the eligibility of employees for membership

Creditable Service:

Pursuant to C. 21 § 26 of the Acts of 2009, creditable service will not be granted for any service occurring on or after July 1, 2009, for which annual compensation is less than \$5,000 per year regardless of whether position is elected, appointed or classified otherwise.

Creditable Service is granted in full months only. A month of creditable service is calculated from the day of month service began to same day of next and succeeding months. Creditable Service is not granted for partial months.

At no time shall creditable service be granted that exceeds the actual calendar months of service. Creditable service shall not be granted for any period after date of retirement or termination of service.

Creditable service shall not be granted for any period in which services were not performed and regular compensation was not paid except as otherwise authorized by statute (workers' compensation, military service leave, etc.)

School employees who work on a full 10 month school year contract will be granted creditable service of 12 months up to but not to exceed total calendar months from date of appointment to date of termination or date of retirement. School employees who have worked less than a full school year shall be prorated based on the calendar months worked.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

School employees who are granted creditable service based on 10 month school year equivalent to 12 calendar months shall also have their average high 3 year salary calculated on same basis (i.e. school year vs. calendar year).

Full- time equivalency is defined as a minimum of 35 hours/week for all positions.

Service Purchases:

General Rules

Although creditable service may be purchased for prior membership or qualifying non-membership service, membership rights applicable to prior periods cannot be purchased.

All requests for service purchase must be approved by the Hampshire County Retirement Board.

All service purchases must be completed prior to any effective retirement date.

No service purchase will be approved without adequate and acceptable documentation verifying prior service. The Hampshire County Retirement Board retains full jurisdiction in determining acceptable documentation. (Personal affidavits based on the memory of individuals is not adequate or acceptable documentation).

Although creditable service may be purchased, membership rights applicable to prior periods cannot be purchased.

Creditable Service shall not be granted unless and until make-up payments are received in full.

Purchases not completed within 1 year of approval must be resubmitted and are subject to recalculation of creditable service based on HCRS rules applicable at time of purchase.

All service purchases must be approved and paid as lump sum payment prior to any retirement date.

Purchase of Prior Membership Service (Re-deposit of withdrawal of member contributions):

Members who had prior membership service with HCRS or with another retirement system covered by MGL c.32, for which the member terminated membership by taking a refund of contributions, may purchase prior membership service by making application to the Retirement Board.

Former Members who terminated membership by taking a refund of contributions and who are now members of another retirement system covered by MGL c. 32, will be allowed to re-purchase prior membership service through their current retirement system.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

Purchase of Non-Membership Service (Make-up of prior service as non-member):

Purchase of non-membership service is limited to current members and former members of HCRS.

Purchase of non-membership service will not be allowed without acceptable documentation of service and compensation paid. It shall be the sole responsibility of the member to obtain, and provide to the Board, verification of this past service rendered, including but not limited to payroll records indicating the amount of compensation received and amount of hours worked. In the event that any or all of such original documentation is unavailable, the Board may exercise its discretion pursuant to M.G.L. c. 32, § 20(5)(c)(I), on a case by case basis, to accept alternative documentation to verify said service and compensation. The Board shall retain full jurisdiction relative to what constitutes acceptable documentation.

Non-membership service for which the employer paid contributions to Social Security or made contributions to another qualified retirement plan is not eligible for purchase. Allowing such purchase would require the employer to fund two retirements for the same period of employment. If, however, the employee had contributed to an OBRA plan and the employer did not make any contributions to it or another retirement plan, purchase of such non-membership service may be allowed subject to other rules relative to purchase of such service. Seasonal, Intermittent, Per Diem, Substitute, Fee-based, and services performed as a student are not eligible for purchase. Service performed as an independent contractor or as an employee of another organization or business are not eligible for purchase.

Service provided as Contract Employee, Independent Contractor and other Professional Service Provider is not eligible for purchase.

Purchase of Military Service:

In accordance with C. 32 § 4(1)(h) Application for Purchase of Military Service must be made within 180 days of receipt of Notification of Eligibility. Failure to make application within 180 days of notification of eligibility or failure to provide documentation of Military Service may result in loss of benefit.

Military Service for the same period of time during which credit has already been granted under c. 32 § 4(1)(h) cannot be purchased.

Purchase of Military Service must be made as a lump-sum payment. Creditable Service shall not be granted unless and until makeup payments have been made for each year of creditable service sought in the amount equal to the ten percent of the regular annual compensation of the member when said member entered or re-entered the retirement system

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

January 13, 2004

Travel Regulations:

The Hampshire County Retirement System has adopted Travel Supplemental Regulations under the provisions of G.L. c. 7, § 50 and G.L. c. 32, § 21(4). Regulations available upon written request, and are also available on the PERAC website [http://www.mass.gov/perac/Hampshire County](http://www.mass.gov/perac/Hampshire%20County).

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the Chairperson who shall be appointed by the other four board members, a second member appointed by the Advisory Council, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Chairperson:	Patrick E. Brock	Term Expires:	12/31/2020
Appointed Member:	Claire McGinnis	Term Expires:	12/31/2017
Elected Member:	Edward R. Montleon	Term Expires:	12/31/2017
Elected Member:	Joseph A. Wilhelm, III	Term Expires:	12/31/2016
Appointed Member:	Joyce Karpinski	Term Expires:	12/16/2015

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The Board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board. The PERAC Actuary performs verification prior to payment, unless the system has obtained a waiver for superannuation calculations allowing them to bypass this requirement. All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made only upon vouchers signed by two persons designated by the Board.

Retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts. Fidelity insurance is the only required policy coverage under Ch. 32 §21 and §23 as well as 840 CMR 17.01. The policy is designed to cover specific intentional acts such as theft, fraud or embezzlement and also specify who commits such acts, most commonly employees of the system. This coverage reimburses the system for the losses it suffers as a result of its employees' actions. It does not insure the employees for their illegal acts. Statutorily required coverage is provided by the current fidelity insurance policy to a limit of \$1,000,000 with a \$10,000 deductible issued through Travelers Casualty and Surety Company. The system also has Fiduciary coverage to a limit of \$50,000,000 under a blanket policy issued through the Massachusetts Association of Contributory Retirement Systems.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Stone Consulting, Inc. as of January 1, 2014.

The actuarial liability for active members was	\$202,305,138
The actuarial liability for inactive members was	6,020,065
The actuarial liability for retired members was	<u>208,227,904</u>
The total actuarial liability was	\$416,553,107
System assets as of that date were (actuarial value)	<u>235,617,602</u>
The unfunded actuarial liability was	<u>\$180,935,505</u>
 The ratio of system's assets to total actuarial liability was	 56.6%
As of that date the total covered employee payroll was	\$73,422,208

The normal cost for employees on that date was 8.9% of payroll

The normal cost for the employer was 4.5% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return: 7.875% per annum
 Rate of Salary Increase: Varies by group and service

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2014

\$ in thousands

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2014	\$235,618	\$416,553	\$180,935	56.6%	\$73,422	246.4%
1/1/2012	\$204,116	\$367,511	\$163,395	55.5%	\$68,575	238.3%
1/1/2010	\$179,861	\$312,878	\$133,017	57.5%	\$68,276	194.8%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Retirement in Past Years										
Superannuation	50	23	30	32	46	48	65	56	39	61
Ordinary Disability	0	0	1	0	0	1	1	2	0	0
Accidental Disability	3	1	3	2	2	5	1	3	4	3
Total Retirements	53	24	34	34	48	54	67	61	43	64
 Total Retirees, Beneficiaries and Survivors	994	987	992	984	1,007	1,030	1,077	1,109	1,120	1,137
 Total Active Members	2,610	2,638	2,665	2,654	2,653	2,408	2,202	2,161	2,211	2,170
Pension Payments										
Superannuation	\$8,967,457	\$9,244,130	\$9,499,194	\$9,771,931	\$10,226,362	\$10,885,109	\$12,039,180	\$12,982,600	\$13,647,270	\$14,223,234
Survivor/Beneficiary Payments	504,747	523,179	530,690	540,887	570,243	579,555	565,887	631,821	703,572	717,622
Ordinary Disability	50,506	44,985	48,497	24,377	23,835	46,455	60,667	83,231	92,058	82,695
Accidental Disability	1,362,414	1,374,284	1,613,236	1,561,054	1,615,089	1,666,802	1,804,231	1,860,710	2,048,803	2,110,514
Other	<u>1,253,030</u>	<u>1,266,878</u>	<u>1,408,759</u>	<u>1,321,883</u>	<u>780,139</u>	<u>1,544,929</u>	<u>1,662,724</u>	<u>1,564,457</u>	<u>1,664,356</u>	<u>1,936,901</u>
Total Payments for Year	<u>\$12,138,154</u>	<u>\$12,453,456</u>	<u>\$13,100,376</u>	<u>\$13,220,132</u>	<u>\$13,215,668</u>	<u>\$14,722,850</u>	<u>\$16,132,689</u>	<u>\$17,122,819</u>	<u>\$18,156,059</u>	<u>\$19,070,966</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 – LEASED PREMISES

The Hampshire County Retirement Board leases approximately 3,200 square feet of space for its offices located at Suite 2, 99 Industrial Drive, Northampton, MA. They most recently signed a 5-year lease which will expire May 31, 2019. The landlord is Conz Street Realty, Inc.

The following schedule displays the minimum lease obligations on non-cancelable operating leases as of December 31, 2013:

<u>For the year ending:</u>	<u>Annual Rent</u>
2014	\$36,983.35
2015	\$38,136.77
2016	\$39,548.98
2017	\$41,625.37
2018	\$43,843.80
2019 (through May 31)	\$18,665.00
Total future minimum lease payments required	<u>\$218,803.27</u>

PERAC

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